(ii) Rural Electrification Corporation is the nodal agency for the scheme.

(iii) Prior commitment of the States for deployment of franchisees for management of rural distribution projects, providing requisite revenue subsidy to the State utilities as required under the Electricity Act, 2003 and to make adequate arrangements for supply of electricity and no discrimination in the hours of supply between rural and urban households.

(iv) The services of Central Public Sector Undertakings (CPSUs) have been offered to the states for assisting them in the execution of Rural Electrification Projects as per their willingness and requirement.

Out of 22 districts of Jharkhand, services of CPSUs National Thermal Power Corporation (NTPC) and Damodar Valley Corporation (DVC) have been availed in 16 districts. However, no proposal has been received till date from Jharkhand state under Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY).

**Waive off taxes on LNG used for power plants**

858. SHRI K. RAMA MOHANA RAO: Will the Minister of POWER be pleased to state:

(a) whether the Ministry has submitted any proposal to the Finance Ministry to waive off customs duty and sales tax on LNG used for power plants;

(b) what is the present rate of customs duty and sales tax on LNG;

(c) the details of the proposal;

(d) whether any response from the Finance Ministry has been received; and

(e) if so, the details thereof?

THE MINISTER OF POWER (SHRI P.M. SAYEED): (a) As part of annual exercise to furnish the suggestion of the Ministry for modification in Direct and Indirect Taxes structure for inclusion in Budget 2005-06 an item on (i) Tax Incentives of Liquefied Natural Gas (LNG) and Naphtha and (ii) Reduction of Central Sales Tax on LNG/Natural Gas/Naphtha was made to Ministry of Finance.

(b) Present levy of Customs Duty on LNG is 5%. Sales Tax/VAT on LNG/Natural Gas varies from state to state.

(c) Relevant portion of the proposal is given in the statement. (*See* below)

(d) The proposal was not accepted by Ministry of Finance while announcing Duty/Tax Rates for 2005-06.

(e) Does not arise.

***Statement***

*Relevant portion of the proposal to waive off customs duty and sales tax on LNG used for power plants*

**8. TAX INCENTIVES ON LIQUEFIED NATURAL GAS & NAPHTHA**

(i) CUSTOM DUTY ON IMPORT OF LNG/NAPHTHA

**PRESENT PROVISION**

As per Sl. No. 77 of Custom Notification No. 21/2002, import of Liquefied Natural Gas/Naphtha is exempted from payment of so much of custom duty as in excess of 5%.

**MODIFICATION PROPOSED**

The import of LNG/Naphtha under the above Sl. No. may be exempted from the payment of custom duty.

**REASON**

Fuel cost of generation (FCOG) based on LNG/Naphtha is needed to be at par with FCOG based on other competitive fuel like coal to promote Gas based power projects in order to have the following advantages:

a) It is one of the most clean and green fuel for power generation.

b) It will provide healthy mixed growth of power sector enhancing fuel security.

c) Power projects based on this fuel are among one of the most efficient.

As per the India Hydrocarbon Vision 2025, against the present domestic gas supply of around 70 MMSCMD, India's demand for Natural Gas by 2011-12 is projected to be 313 MMSCMD which is unlikely to be met by indigenous sources. It will compel sourcing LNG from abroad.

**LIKELY IMPACT**

Since it is a commodity which is imported and the use of these costly fuel is limited now, there would not be any significant loss of revenue.

On the other hand, the fuel cost of generation is likely to be cheaper by 4%, which would be of the order of 8—10 paisa per kwh giving boost to economic activities.

International price of this commodity varies widely from region to region. No benchmarked price exists in international market. The price is generally negotiated between the contracting parties.

**13. CENTRAL SALES TAX ON LIQUEFIED/NATURAL GAS/NAPHTHA**

Goods of special importance in inter state trade or commerce (Section-14)

| Existing Provision | Proposed Provision |
|---|---|
| Section 14 of CST Act includes goods like crude oil, iron & steel, cereals, jute, etc., to be goods of special importance in inter state trade or commerce. | Section 14 of CST Act includes goods like coal, crude oil, iron & steel, cereals, jute, **liquefied/natural gas (L/NG)/Naphtha,** etc., to be goods of special importance in inter state trade or commerce. |

**REASONS**

Goods of special importance **(declared goods)** in inter- state trade or commerce included in Section 14 is liable to local sales tax subject to a maximum of 4%.

Natural Gas and Naphtha similar to Coal, Crude Oil, etc. is used in generating thermal power. It, therefore,needs to be treated at par and included in Section 14 of CST Act. At present the rate of local sales tax on Natural Gas/Naphtha varies from State to State.

In the State of Gujarat, sales tax on NG is being charged @ 20% with 10% surcharge while in U.P., it is 5%. In the State of Haryana, HSEB has been extended the facility of purchasing goods within the State of Haryana by paying concessional sales tax @ 1% while others including NTPC have to pay 4%.

In respect of Naphtha, the rate of sales tax varies from 0% to 16%. While the sales tax in Kerala has been recently waived off by the State Govt., the Govt. of Gujarat is charging a sales tax @ 16%.

The natural gas and Naphtha are important inputs for generating clean power. It appears that these were not originally included in the list of

declared goods probably because not much LNG gas/naphtha were traded and inter-state trade at any large scale was not envisaged because supply of gas/naphtha was not developed at that time.

In view of above LNG & Naphtha may be included in declared goods under Section 14 of C.S.T. Act.

**LIKELY IMPACT**

Estimated amount to NTPC in resepct of Natural Gas in the projects of Kawas & Gandhar in Gujarat State is Rs. 69 crores & per unit impact is 14.70 paise and in respect of Naphtha used in Kawas project is Rs. 130 crores and per unit impact is 22 paise.

**NTPC foraying into Nuclear, Coal and Gas power generation**

859. SHRIMATI N.P. DURGA: Will the Minister of POWER be pleased to state:

(a) whether it is a fact that NTPC is planning to enter into nuclear, coal and gas power generation;

(b) if so, what are the reasons for foraying into other areas apart from its conventional area of thermal power;

(c) what is the target set in the Tenth Plan for NTPC; and

(d) what is the target set for NTPC to produce power in the Eleventh Plan?

THE MINISTER OF POWER (SHRI P.M. SAYEED): (a) and (b) National Thermal Power Corporation (NTPC) is already carrying out coal and gas power generation. As apart of its business strategy for growth and lateral integration, NTPC has entered in to the field of hydro power which has a vast, untapped potential for development. Further, Nuclear power is another alternative to fossil fuels and cold be a viable option to meet India's based load power demand. NTPC's Corporate Plan for the period 2002-17, envisages taking up 2000 MW of nuclear capacity in joint venture during the 12th Plan period.

(c) and (d) A capacity addition target of 9160 MW was set for NTPC during Tenth Plan (2002—2007). NTPC envisages to add about 17000 MW capacity during 11th Plan period (2007—2012).